

Legal Compliance and Financial Management

To ensure legal compliance and financial management for the various restricted revenues and program expenditures, the City's accounting and budget structure is segregated into various funds. This approach is unique to the government sector. Fund accounting segregates functions and activities into separate self-balancing funds that are created and maintained for specific purposes; for example, Special Revenue Funds are used to account for the expenditure of restricted revenues, while Enterprise Funds account for self-sustaining "business" related activities for which a fee is charged to cover all costs associated with that business. The General Fund is the City's chief operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

A detailed overview of the City's budgeted revenues, expenditures, and fund balance by fund is presented in this section.

Fund Accounting - Fund Types

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The **General Fund** is the primary operating fund of the City. It exists to account for the resources devoted to finance the services traditionally associated with local government. Included in these services are police and fire protection, parks and recreation, planning and economic development, general administration of the City, and any other activity for which a special fund has not been created.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City maintains the following seven Special Revenue Funds: Highway User Revenue, Transportation Privilege Tax (.20%), 1995 Preservation Privilege Tax (.20%), 2004 Preservation Privilege Tax (.15%), Public Safety Privilege Tax (.10%), Special Programs, and Grants.

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest that are not serviced by the General, Special Revenue, and Enterprise Funds. It does not include contractual obligations accounted for in the individual funds.

Enterprise Funds are used to account for operations, including debt service, that are financed and operated similarly to private businesses - where the intent is the service is self-sufficient, with all costs supported predominantly by user charges. The City maintains three Enterprise Funds to account for Water & Sewer, Solid Waste, and Aviation activities.

Internal Service Funds are used to account for the financing, on a cost-reimbursement basis, of commodities or services provided by one program for the benefit of other programs within the City. The City maintains two Internal Service Funds to account for Fleet and Self-Insurance activities.

Trust Funds are used to administer resources received and held by the City as the trustee or agent for others. Use of these funds facilitates the discharge of responsibility placed upon the City by virtue of law or other similar authority.

Capital Improvement Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The City maintains several Capital Project funds to ensure legal compliance and financial management for various restricted revenues. Examples of restricted revenue funds are:

- **Bond Funds** – are used to account for bond proceeds to be used only for approved bond projects.
- **Transportation Privilege Tax Capital Fund** – are used to account solely for transportation projects.
- **Grant Capital Funds** – are used to account for the proceeds of capital grants.
- **Enterprise Capital Funds** – are used to account for utility rates and development fees for specific projects.
- **Unrestricted General Capital Fund** – are used to account for transfers-in from the General Fund and for any other activity for which a special capital fund has not been created.

The following pages summarize
Scottsdale's Program Budget
Revenues, Expenditures and
Individual Fund Balance/
Reserves by Fund.

See glossary for Expenditure
Type definitions.

General Fund*General Fund***Fund Purpose**

The General Fund exists to account for the activity associated with traditional local government services such as police, fire, parks and recreation, planning and economic development and general City administration. Under Arizona State law, each city and town must maintain a General Fund and a Highway User Revenue Fund (see Special Revenue Fund section). The General Fund is the largest fund and typically the fund of most interest and significance to citizens.

General Fund Revenues and Transfers-In

General Fund resources include both revenues and transfers-in from other fund types such as the Special Revenue, Enterprise and Internal Service Funds. Estimated total revenues and transfers-in for FY 2004/05 increased approximately \$9.1 million (4.5%) from the FY 2003/04 year-end estimate. The increase from the prior year-end estimate is attributable primarily to increases in transaction privilege (sales) taxes \$2.6 million (3.2%), the primary property tax revenue \$1.1 million (6.4%), court fines and forfeitures \$0.8 million (18.2%), TSA/CSA revenue \$1.3 million (100.0%) and special revenue transfer-in from the 2004 public safety sales tax fund of \$3.5 million (100.0%), which is contingent on the May 18th vote to increase the sales tax rate. Also, the state-shared revenues are projected to increase \$0.3 million (.9%), while this is not a large dollar or percentage increase the significance rests in the fact this represents the reversal of a multi-year declining trend in a major funding source. Growth in other revenues such as licenses, permits, fines and fees are expected to be much lower than in recent years and slow revenue growth is anticipated for Arizona and Scottsdale in the future. The development and permit fees are projected to decline \$0.8 million (5.0%) over the very strong FY 2003/04 performance. Revenue and transfers-in determine Scottsdale's capacity to provide program services to our citizens. The major resources, which fund the program operating budget, debt service and capital projects, are identified below.

Local Tax Revenues

Local Tax Revenues of \$117.7 million represent 55.0% of the General Fund total operating resources and are the fund's largest category of revenue source. With the exception of property taxes, these are all "elastic" revenues, meaning they vary directly with the economy – when the economy is good, they increase, as people are spending money and traveling, and during an economic downturn, the opposite is true. Local Taxes Revenues consist of the following:

Transaction Privilege (Sales) Tax represents the General Fund's 1.0 percent share of the City of Scottsdale's 1.4 percent local sales tax. The remaining 0.4 percent of the local sales tax is dedicated 0.2 percent to the Transportation Privilege Tax Fund and 0.2 percent to the 1995 Preservation Privilege Tax Fund (both are Special Revenue Funds). This revenue also includes sales tax application and penalty fees. This revenue is the General Fund's single largest revenue source and the General Fund portion of the tax is used to pay for general governmental operations and the repayment of excise debt. For FY 2004/05 this revenue is forecasted to be \$84.8 million, which is a \$2.6 million, or 3.2% increase over the FY 2003/04 year-end estimate of \$82.2 million. The increase in the general sales tax represents the early stages of a national, state and local economic recovery. However, this slight increase in the sales tax revenues is nowhere near the City's mid to late 1990's

Transaction Privilege (Sales) Tax
Adopted Budget to Actual/Estimate*
 (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$84.8	\$84.8*
2003/04	\$77.4	\$82.2*
2002/03	\$84.0	\$79.7
2001/02	\$79.1	\$80.3

experience, when it saw nine consecutive years double-digit growth in sales tax revenue growth. The tentative nature of the national, state and local economies, slow job growth and unemployment, and the on-going threat of terrorism make it difficult to predict with certainty if the projected improvement is the start of a long-term economic recovery or a short-lived surge.

Primary Property Tax represents the General Fund's portion of the Primary Property Tax which is levied on the assessed value of all property within the City to help pay for City general governmental operation costs. By Arizona State Statute, the primary property levy is limited to a 2 percent increase per year, plus an allowance for annexations and new construction. Another component of the primary property tax accounts for the reimbursement to the City for the cost of liability claim judgments as allowed by State Statute. This component becomes revenue to the City's Self-Insurance Fund and will be discussed more fully in the Internal Service Funds section. Primary property tax accounts for 8.3% of the total projected FY 2004/05 General Fund resources. The FY 2004/05 revenue forecast of \$17.6 million represents an increase of slightly less than \$1.1 million or 6.4% from the FY 2003/04 year-end estimate of \$16.6 million. The increase in revenue is due to an increase in assessed valuations – 6.2% average increase in existing properties and 4.6% from new construction. The primary property tax rate of \$0.45 per \$100 of assessed valuation will result in an annual levy of \$45 for the owner of a home valued at \$100,000.

Transient Occupancy ("bed") Tax comes from Scottsdale collecting a 3 percent Transient Occupancy Tax on hotel and motel room rentals in addition to the sales tax. Currently, one-third of this tax is used to pay for General Fund operations. Per City Ordinance 2049/2702 (amended), the other two-thirds is restricted for use for tourism and hospitality purposes and pays for contracts to increase tourism and debt service for destination attractions. The proposed FY 2004/05 budget recommends the Council consider amending the ordinance and increasing the allocation from 66.7 percent to 80 percent and continue supporting tourism and hospitality development purposes. The remaining 20% would continue to be used pay for General Fund operations. The adopted FY 2004/05 budget of \$6.7 million reflects approximately a \$132,000 or 2.0% increase from the FY 2003/04 year-end estimate of \$6.6 million. The ongoing uncertainty regarding the economic recovery and concerns over acts of terrorism are likely to continue influence business and pleasure travel. Additionally, growing competition with more rooms available at new resorts in neighboring jurisdictions limits the likelihood of significant growth in this revenue in FY 2004/05 and beyond.

Primary Property Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$17.6	\$17.6*
2003/04	\$16.6	\$16.6*
2002/03	\$15.4	\$15.6
2001/02	\$14.3	\$13.7

Transient Occupancy ("bed") Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.7	\$6.7*
2003/04	\$6.6	\$6.6*
2002/03	\$7.6	\$6.7
2001/02	\$7.9	\$6.7

Other Taxes — Franchise, In-Lieu Property Tax and Fire Insurance Premium are budgeted at \$8.5 million in FY 2004/05 and include franchise taxes charged on revenues from utility companies and cable companies for use of City right-of-ways, an in-lieu property tax for municipal utilities, and a fire insurance premium tax, which is used to help supplement fire protection service costs. The light and power franchise is projected to increase a very nominal 2.0% or \$0.1 million. The cable TV franchise tax and Salt River Project In Lieu Tax are projected to remain at the FY 2003/04 year-end estimates, which more accurately reflect the actual revenue collection trends. The fire insurance premium revenue is projected to have the greatest percent increase at 17.8% or \$76,000. The increase is driven by increased property insurance rates, which serve as the basis for applying the tax.

Other Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$8.5	\$8.5*
2003/04	\$8.3	\$8.3*
2002/03	\$8.2	\$8.2
2001/02	\$6.5	\$8.0

State-Shared Tax Revenues

State-Shared Tax Revenues include the state sales tax, income tax collections, and auto lieu tax, which are shared with all cities and towns throughout the state and represent \$42.4 million or 19.8% of the total General Fund resources. The formula for distribution of the sales and income tax revenue is based upon the relation of the City's population to the total state population. The State Department of Revenue collects and distributes funds and provides revenue forecasts to cities and towns for these revenue sources. The auto lieu tax is shared based on the City's population in relation to the total incorporated population of Maricopa County. Scottsdale's portion of the state-shared taxes is expected to increase in FY 2004/05 by nearly \$0.5 million or 1.1% from the FY 2003/04 year-end estimate of \$41.9 million. The slow emerging economic recovery is the main reason for the increase. The projected state-shared revenues do not factor in any reduction that may result from actions of the state legislature. Looking forward, the consensus for the economic growth statewide and the region is slow. Our conservative budget estimates for state-shared revenues project slow to no growth for these revenue sources. State-Shared Revenues consist of the following:

State Sales Tax for FY 2004/05 is expected to be \$16.5 million, which represents an extremely modest increase of \$0.3 million or 2.0% from the FY 2003/04 year-end estimate. Cities and towns share in a portion of the 5 percent sales tax collected by the State – the State retains 50.0%, schools are designated to receive 40.0%, and the remaining 10.0% is allocated to cities and towns based on percentage of population. Our FY 2004/05 forecast and beyond is conservative. Future budget years assume an annual increase of approximately 2.0% over the five-year forecast period. The exception is FY 2006/07, which reflects a decrease resulting for the mid-decade Special Census that will likely have an adverse impact on the City's share, as faster growth cities and towns within the state receive an increased proportion of the overall pool of state-shared revenues.

State Sales Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.5	\$16.5*
2003/04	\$15.4	\$16.2*
2002/03	\$15.8	\$15.9
2001/02	\$16.7	\$15.6

State Income Tax budget of \$18.0 million for FY 2004/05 is projected to remain flat with the current year-end estimate. The state-shared income revenue projection is based on conservative estimates, and the expectation any income increases realized by citizens in FY 2004/05 from the emerging economic recovery would not be realized immediately by the City. This is due to the two-year lag between the time citizens earn and report results to the State and then the State submits the actual revenues to cities and towns. Cities and towns in Arizona are prohibited from levying an income tax; however, they are entitled to 15 percent of state income tax collections from two years previous. For example, the revenue distribution for FY 2004/05 will come from the income tax paid in 2002, on income earned in calendar year 2001. Like the State Sale Tax our FY 2004/05 forecast and beyond is conservative. Future budget years assume an annual increase of approximately 1.0% over the five-year forecast period. The exception is FY 2006/07, which again reflects a decrease resulting for the mid-decade Special Census that will likely have an adverse impact on the City's share, as faster growth cities and towns within the state receive an increased proportion of the overall pool of state-shared revenues.

State Income Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$18.0	\$18.0*
2003/04	\$18.0	\$18.0*
2002/03	\$21.1	\$21.6
2001/02	\$20.8	\$21.1

State Auto Lieu Tax is part of the vehicle license fees collected by Maricopa County, but is actually a State revenue source. The City receives its share of the vehicle license tax collection based on its population in relation to the total incorporated population of Maricopa County. The only stipulation on the use of this revenue is that it must be spent on a public purpose. The City has designated these tax proceeds for transportation services. The budget for FY 2004/05 is projected to be \$7.8 million, which represents an increase from the FY 2003/04 year-end estimate of nearly \$0.2 million or 2.0%.

State Auto Lieu Tax Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7.8	\$7.8*
2003/04	\$6.9	\$7.7*
2002/03	\$6.7	\$8.0
2001/02	\$6.9	\$6.7

Licenses, Permits & Fees Revenues

Licenses, Permits & Fees Revenues include revenue from various business licenses, all fees recovered as a part of the development process, and recreation fees. This category includes building, electrical, mechanical, and plumbing permits, as well as Subdivision, zoning, and plan check fees. Recreation Fees include revenue from the various recreational programs, classes, entry fees, and WestWorld Equestrian Facility event revenue. In accordance with Scottsdale's financial policy, all fees and charges are reviewed annually.

Scottsdale's development activity is slowing as our community is changing from growth oriented to a maturing community focused more on sustaining its high quality of life. New commercial and residential construction activity is expected to continue, but at a slower pace, due to the attractiveness of Scottsdale, the low commercial vacancy rates along with historically low mortgage interest rates. Licenses, Permits & Fees Revenue consist of the following:

Development Permits & Fees in FY 2004/05 are expected to be approximately \$14.3 million, which is nearly a \$0.8 million or 5.0% decline from the FY 2003/04 year-end revenue estimate. Commercial construction is expected to remain steady as a result of the completion of the Pima (101) Freeway, which will spur activity in the Perimeter Center and Horseman's Park areas and the Stack 40 project, as well as continued investment in the Scottsdale Airpark area. The focus on downtown revitalization projects such as Loloma Museum and the Waterfront will continue development activity. Additionally, there exists the possible start of large in-fill projects such as Los Arcos, Northsight, and the former PCS site.

The housing growth that continues to occur will be focused more on the custom home segment with values over \$400,000 while the construction of production homes and multi-family housing will continue to decline as less land is available for their construction. In addition, single-family remodeling and fix-up activity has been increasing at a fast pace and likely will grow more as the housing stock matures and less undeveloped raw land is available.

While the FY 2004/05 development permit revenue forecast is conservative when compared to historical trends, it factors in the complexity and changing nature of the development activity expected throughout the City. These trends are continually monitored in order to make management adjustments during each fiscal year. The FY 2004/05 budget includes no proposed increase in the development fees.

Business Licenses & Fees in FY 2004/05 are budgeted at \$1.8 million, reflecting a nominal increase of 4.0% from the FY 2003/04 year-end estimate. The increase is based on historic growth trends.

Development Permit & Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$14.3	\$14.3*
2003/04	\$13.5	\$15.0*
2002/03	\$15.5	\$15.4
2001/02	\$19.0	\$15.7

Business Licenses & Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.8	\$1.8*
2003/04	\$1.8	\$1.8*
2002/03	\$1.7	\$1.8
2001/02	\$1.7	\$1.8

GENERAL FUND - REVENUE

Budget by Fund

Recreation Fees are budgeted at \$2.2 million and include revenue from the various recreational programs, classes and entry fees. In accordance with the City's adopted financial policies, recreation fees are reviewed and adjusted annually.

Recreation Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.2	\$2.2*
2003/04	\$2.2	\$2.2*
2002/03	\$2.1	\$2.2
2001/02	\$2.1	\$2.0

WestWorld Fees event revenue is expected to be approximately \$1.6 million. In accordance with the City's adopted financial policies, recreation fees are reviewed and adjusted annually.

WestWorld Fees Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.6	\$1.6*
2003/04	\$1.5	\$1.5*
2002/03	\$1.3	\$1.5
2001/02	\$1.3	\$1.5

Fines and Forfeiture Revenues

Fines and Forfeiture Revenues includes court, parking, photo radar, and library fines. In the aggregate, the revenue for these items in FY 2004/05 is projected to be \$5.6 million for an increase of approximately \$0.8 million over the prior year. The detail of these revenues is noted below:

Court Fines are conservatively budgeted at \$3.9 million, which reflects a \$0.5 million increase from the FY 2003/04 year-end estimate. The FY 2003/04 year-end forecast includes the negative impacts from the State of Arizona's enacted shared-court collections, which retained 75% of the judicial collections each municipal court received in excess of their FY 2002/03 baseline collections during the fiscal year. The court fine collections were deposited in the State's general fund and were to pay for the costs associated with the State's newly created collection system and enhance city and town court collections. For FY 2004/05, the State legislation repealed the legislation. Therefore, \$0.5 million of the increase in these revenues is attributable to the State Legislature repealing the legislation, and the remaining \$0.3 million of the increase is based modest growth projections.

Court Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.9	\$3.9*
2003/04	\$3.7	\$3.4*
2002/03	\$3.5	\$4.2
2001/02	\$3.8	\$3.4

GENERAL FUND - REVENUE

Budget by Fund

Parking Fines are conservatively budgeted at slightly more than \$0.2 million for FY 2004/05, which is approximately \$87,000 more than the FY 2003/04 year-end estimate.

Parking Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.2	\$0.2*
2003/04	\$0.1	\$0.1*
2002/03	\$0.1	\$0.2
2001/02	\$0.2	\$0.1

Photo Radar Fines are budgeted at approximately \$1.1 million for FY 2004/05, which represents an increase of approximately \$0.2 million over the FY 2003/04 year-end estimate. The current photo radar contract was awarded during the summer of 2003 and included more red-light cameras, capable of detecting both red light running and a vehicle's speed. The camera were installed during FY 2003/04. Having the cameras in place for the full fiscal year should contribute to an increase in revenue in FY 2004/05. However, the use of photo radar is intended as a deterrent to unsafe driving, not as a revenue producer.

Photo Radar Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	\$1.1	\$0.9*
2002/03	\$1.1	\$0.8
2001/02	\$1.5	\$0.8

Library Fines are expended to remain flat with the FY 2003/04 year-end estimate of approximately \$0.4 million for FY 2004/05. In accordance with the City's adopted financial policies, the library fines are reviewed and adjusted annually, if necessary. No increase in fines is proposed for FY 2004/05.

Library Fines Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.4	\$0.4*
2002/03	\$0.4	\$0.4
2001/02	\$0.4	\$0.4

Interest Earnings

Interest Earnings are generated on idle General Fund cash balance throughout the year. Interest revenue is expected to be approximately \$1.6 million for an increase of less than \$0.1 million over the FY 2003/04 year-end estimate of \$1.5 million. This revenue is a function of the relationship between the City's available cash balance and the interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. Interest earnings applicable to bond proceeds and the Capital Improvement Plan (CIP) accrue to the CIP budget and are not included in General Fund revenues.

Interest Earnings Revenues Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.6	\$1.6*
2003/04	\$0.8	\$1.5*
2002/03	\$3.3	\$1.7
2001/02	\$6.3	\$4.0

Property Rental Revenue

Property Rental Revenues are rental fees on facilities such as the Scottsdale Stadium, as well as amounts received from the Tournament Players Club and Princess Hotel for percent of revenue on gross sales agreements. The projected FY 2004/05 revenues of \$3.4 million represent a \$0.4 million increase in Property Rental revenue over the FY 2003/04 year-end estimate. The increase is attributable to a combination of scheduled increases in rental payments of \$0.3 million, plus the Thunderbird's \$80,000 contribution, which was waived in FY 2003/04 under the terms of the lease agreement.

Property Rental Revenues Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.4	\$3.4*
2003/04	\$3.3	\$3.0*
2002/03	\$3.4	\$2.5
2001/02	\$3.0	\$2.5

Other Revenue

Other Revenue is projected to increase by \$1.1 million in FY 2004/05 over the current year-end estimate. The increase is due to the City receiving its first contributions from the Tourism Sports Authority and County Sports Authority (TSA and CSA) for the repayment of the Giants professional baseball practice facility.

Miscellaneous revenue is projected to be \$1.2 million for FY 2004/05, which includes various miscellaneous revenues the City receives during any given year that are not attributable to one of the specific revenue categories noted above. The revenue is expected to decline \$0.2 million from the FY 2003/04 year-end estimate of \$1.4 million. The decline reflects a combination of more accurately reflecting the actual revenue collection trends and improvements to the reporting and recording of revenues in the accounting system.

Tourism Sports Authority and County Sports Authority (TSA and CSA) revenue is projected to be \$1.3 million in FY 2004/05. The City's first contributions from both the TSA and CSA and the proceeds will be used to pay for \$18.0 million of debt service payments associated with the Giants professional baseball practice facility. It is anticipated the debt will be issues in March of 2005 with the TSA and CSA being responsible for \$12.0 million and \$6.0 million, respectively. Annually, the TSA will pay approximately \$0.9 million and the CSA will pay over \$0.4 million for the debt services repayment.

Other Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.5	\$2.5*
2003/04	\$1.5	\$1.4*
2002/03	\$2.0	\$1.9
2001/02	\$2.0	\$1.1

Transfers-In

Transfers-In essentially represent the reimbursement of cost incurred for services (i.e., utility billing, payroll processing, benefits administration, etc.) provided and paid by the General Fund on behalf of the Special Revenue, Enterprise and Internal Service Funds. The cost of the services provided by the General Fund is allocated annually to these user funds on a rational and equitable basis. The total transfers-in for FY 2004/05 are expected to increase by \$4.2 million over the FY 2003/04 year-end estimate. The main driver in this increase is a contingent \$3.5 million transfer-in from the Special Revenue-Public Safety Privilege Tax.

The proposed General Fund budget includes \$3.5 million of contingent appropriations for public safety and preserve initiatives. The contingent appropriations are included in the event City voters approve the ballot initiative on May 18, 2004, to increase the City's privilege (sales) tax from 1.40 percent to 1.65 percent. (Public Safety .10% and Preserve 15%). If approved, the additional (.10%) public safety privilege taxes would be used to pay for the following: upgrade radio systems, hire additional police officers with focused enforcement in the citizen noted high demand service areas: traffic, driving under the influence, cyber crimes, vice enforcement, photo red light operations, as well as special patrols in city parks and the McDowell Sonoran Preserve. Other public safety services that would be funded from the additional public safety privilege taxes include hiring additional firefighters, code enforcement officers and related public safety capital equipment and facilities. Likewise if the (.15%) preserve privilege tax increase were approved, the proceeds would be used for additional land purchases, trail and other improvements.

General Fund Expenditures By Expenditure Type

The General Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay and debt service. Additionally, there are transfers-out to other funds.

Personal Services proposed budget of \$120.7 million represents 61.2% of the FY 2004/05 General Fund Operating Budget of \$197.2 million. The proposed FY 2004/05 personal services budget increased \$6.6 million or 5.8% from the FY 2003/04 adopted budget. The proposed budget includes 22.34 new General Fund full-time equivalent (FTEs) staff positions at an estimated total cost of over \$.09 million. The additions include 13.50 new FTEs to support the Fire transition at an estimated cost of slightly over \$0.5 million.

The other 8.84 new FTE's will address ongoing high priority services areas such as code enforcement, downtown, parks and recreation, economic development, and enhanced building security at an estimated cost slightly over \$0.4 million. The 2 proposed code enforcement FTEs would address citizens' increased demand for code enforcement throughout the whole City. The 1 FTE proposed for the recently formed Downtown Group would provide clerical and administrative support for the staff and Executive Director. The proposed 1.84 FTEs for parks and recreation include 1 additional maintenance technician to continue pro-actively handling the growth in facilities square footage. The other .84 FTE in parks is for additional part-time recreation leaders for the Tonalea after school program. The 2 proposed Economic Vitality FTEs would provide increased support for job creation efforts in retail and the biomedical industry and enhance the City's economic development research capability. The budget includes 1 additional K-9 officer and bomb sniffing dog to enhance security in City buildings. Finally, 1 FTE is proposed for the mailroom to handle the increased security and expanded screening of the City's mail.

The personal services costs include a 2.5 percent cost of living pay adjustment equaling \$2.7 million for city personnel. The proposed budget also maintains the City's merit pay program at an estimated cost of \$1.2 million for those employees that have earned the increase through job performance and have not reached the top of their position range. Externally driven cost factors increased the City's contribution to Arizona Public Safety Retirement System for FY 2004/05 by \$0.6 million. Conversely, the City's health care cost containment initiatives started in the current year will yield over \$1.1 million of cost avoidance in the FY 2004/05 budget.

Included within the proposed Personal Services budget amount is \$1.5 million to fund new public safety positions, which are contingent upon the outcome of the public safety privilege sales tax vote on May 18. If the vote is favorable, the positions will be used in FY 2004/05 for the enhanced public services outlined in the public safety strategic plan including increased police enforcement in the following areas: traffic, driving under the influence, cyber crimes, vice enforcement, photo red light operations, as well as fire services. Beyond next fiscal year the public safety privilege taxes would be used to address other public safety strategic plan items such as additional bike units, traffic patrol, park and preserve patrols, and other capital needs.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$120.7	\$120.7*
2003/04	\$114.0	\$114.0*
2002/03	\$106.2	\$104.4
2001/02	\$100.8	\$96.0

Contractual Services proposed budget of \$57.4 million represents 29.1% of the FY 2004/05 General Fund Operating Budget of \$195.2 million. The FY 2004/05 of \$57.4 million is \$3.8 million or 7.0% more than the FY 2003/04 adopted budget. The increase in Contractual Services is primarily attributable to the combination of three items. The first is a general increase in contractual services costs of approximately \$3.3 million due to inflation and a nominal usage increases.

Second, the proposed Contractual Services budget of \$57.4 million includes \$0.5 million to fund contractual services, which are contingent upon the outcome of the public safety vote on May 18. If the vote is favorable, the positions will be used for the enhanced public services outlined in the public safety strategic plan including increased police enforcement in the following areas: traffic, driving under the influence, cyber crimes, vice enforcement, photo red light operations, as well as fire services. Beyond next fiscal year the public safety privilege taxes would be used to address other public safety strategic plan items such as additional bike units, traffic patrol, park and preserve patrols, and other capital needs.

Commodities proposed budget of \$6.1 million represents 3.1% of the FY 2004/05 General Fund Operating Budget of \$197.2 million. The budget of \$6.1 million is \$1.2 million more than the FY 2003/04 adopted budget. The increase in Commodities is primarily attributable to the combination of two items. The first is a general increase in commodities costs of approximately \$0.4 million due to inflation and a nominal usage increases.

Second, the proposed Commodities budget of \$6.1 million includes \$0.8 million to fund commodities, which are contingent upon the outcome of the public safety vote on May 18. If the vote is favorable, the positions will be used for the enhanced public services outlined in the public safety strategic plan such as traffic enforcement, driving under the influence, cyber crimes, vice enforcement, photo red light operations, and fire services. Beyond next fiscal year the public safety privilege taxes would be used to address other public safety strategic plan items such as additional bike units, traffic patrol, park and preserve patrols, and other capital needs.

The Budget staff continues to review each department's proposed expenditure budget using a zero-based program budget approach. Under this approach, line item-expenditures budgets are carefully evaluated and justified, while providing for required increases that are called for in the current or pending contractual and commodities contracts.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$57.4	\$57.4*
2003/04	\$56.0	\$53.7*
2002/03	\$56.6	\$54.2
2001/02	\$56.4	\$54.8

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.1	\$6.1*
2003/04	\$4.8	\$4.8*
2002/03	\$5.5	\$5.5
2001/02	\$6.4	\$6.4

See glossary for
Expenditure Type
definitions.

GENERAL FUND - EXPENDITURES

Budget by Fund

Capital Outlay proposed budget of \$0.9 million represents 0.5% of the FY 2004/05 General Fund Operating Budget of \$197.2 million. The proposed FY 2004/05 Capital Outlays budget of \$0.9 million includes \$0.7 million to fund capital outlays, which are contingent upon the outcome of the public safety vote on May 18. If the vote is favorable, the positions will be used for the enhanced public services outlined in the public safety strategic plan including increased police enforcement in the following areas: traffic, driving under the influence, cyber crimes, vice enforcement, photo red light operations, as well as fire services. As result of the ongoing zero-based program budget approach, the capital outlays have been included in the budget on a very limited basis. Capital Outlays less than \$25,000 are funded from the Program Operating Budget, while those equal to or greater than \$25,000 are funded from the City's Capital Improvement Plan.

Debt Service budget of \$12.1 million represents 6.1% of the FY 2004/05 General Fund Operating Budget of \$197.2 million. The FY 2004/05 of \$12.1 million is \$0.6 million more than the FY 2003/04 adopted budget.

Contracts payable of \$4.5 million represent debt related to sales tax development agreements such as the Nordstrom Garage Lease, Hotel Valley Ho, Waterfront, Stacked 40 and the Promenade Agreement.

Municipal Property Corporation (MPC) Bonds are issued by the City of Scottsdale Municipal Property Corporation (MPC), a nonprofit corporation, created by the City in 1967 solely for the purpose of constructing, acquiring and equipping buildings, structures or improvements on land owned by the City. The MPC is governed by a Board of Directors appointed by the City Council. The debt incurred by the corporation is a City obligation and the repayment of debt is financed by pledged General Fund excise taxes. The scheduled MPC debt repayment included in the FY 2004/05 budget is \$7.6 million.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.9	\$0.9*
2003/04	\$0	\$0*
2002/03	\$0.1	\$0.4
2001/02	\$2.7	\$1.3

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$12.1	\$12.1*
2003/04	\$11.5	\$9.8*
2002/03	\$13.3	\$12.7
2001/02	\$10.5	\$10.3

Transfers-Out in FY 2004/05 total \$16.9 million and includes \$3.7 million and \$3.0 million to the Capital Fund to cover the cost of on-going capital maintenance and to fund current investments in capital projects, respectively. The proposed budget also includes a \$5.8 million transfer-out to cover one-time Fire transition capital costs. These one-time capital costs are necessary in order to transition to a municipal Fire department in July 2005. Additionally, \$3.6 million will be transferred-out to the Highway User Revenue Fund for transportation related operating costs (subsidy), \$0.6 million to the Self-Insurance Fund, \$0.1 million to the Aviation Fund for fuel tax collected and receipted in the General Fund and \$0.1 million to the Special Revenue Fund for the Affordable Housing program grant match.

General Fund Balance/Reserves/Operating Contingency

Fund Balance/Reserves/Operating Contingency protects the City's financial condition and provides for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities) and should only be used for nonrecurring (non-operational) expenditures, since once they are spent they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves and an operating contingency as part of the resource allocation/limit setting process. This process allows the City to "set aside savings" before it is allocated or spent as budgeted expenditures. The specific make-up of the City's fund balance, reserves and operating contingency are noted below:

General Fund Reserve continues the City's adopted financial policy of setting aside a reserve to protect Scottsdale in times of emergency. This is the City's "savings account," and it is important to note that most of these funds are from "carry over", and once they are spent it will be difficult, if not impossible, to rebuild the reserve. It is financially prudent to have a minimum General Fund Reserve of 10 percent of the General and Highway User Revenue funds total annual operating costs. For FY 2004/05 the General Fund Reserve includes an additional \$2.0 million for potential settlements related to ongoing taxpayer refund audits. Based on the revenue and expenditure estimates included in the proposed budget, the ending FY 2004/05 General Fund Reserve is projected to be \$24.2 million. Maintaining the General Fund Reserve is very important to the municipal credit rating agencies and in retaining the City's triple AAA bond ratings. It should be noted that the revenue sources that help build the General Fund Reserve during good economic times are considered "elastic" and therefore are subject to downturns during recessionary times.

Economic Investment is set aside by the City Council for strategic economic development investments that demonstrate clear returns to the community. The budget includes partial funding in FY 2004/05 (in conjunction with \$223,429 of bed tax contributions) for the \$304,321 initial debt service payment and investment in the Loloma Museum. During FY 2004/05, we anticipate paying out of the Economic Investment an additional \$0.5 million toward the Mayo T-Gen loan and repayments are expected in the following fiscal year. The projected FY 2004/05 ending balance is slightly over \$1.0 million.

Operating Contingency of \$2.5 million is proposed to meet unforeseen expenses during the fiscal year.

Open Purchase Order Reserve the proposed budget anticipates \$4.4 million of purchase orders from FY 2003/04 that will be completed and paid after the June 30 fiscal year-end. This reserve provides a funding source for these year-end carryover budget expenditures.

Unreserved Fund Balance is the remainder after considering all of the other reserves/uses. The ending unreserved fund balance is projected to be nearly \$12.6 million, which represents the cumulative General Fund revenues not designated for a specific purpose. During the FY 2004/05 budget development process, City Council may choose to allocate some or all of these dollars to programs requiring more funding, or allocate it to reserve funds. However, it is critical to note this amount represents an accumulation of one-time revenues and would most appropriately be used for one-time expenditures. Under prudent fiscal management practices this amount should not be used to fund new or expanded programs with ongoing operating expenses. It is anticipated a majority of the funds will originate from the ending FY 2003/04 fund balance. Only \$0.1 million is expected to be added to the Unreserved Fund Balance during FY 2004/05.

Special Revenue Funds

Description

The City uses seven separate Special Revenue Funds to account for the activity of restricted revenues and designated expenditure uses for FY 2004/05. The individual funds are: Highway User Revenue, Transportation Privilege Tax (.20%), 1995 Preservation Privilege Tax (.20%), 2004 Preservation Privilege Tax (.15%), Public Safety Privilege Tax (.10%), Special Programs, and Grants. The applicable specific revenues, expenditures and fund balance of the individual Special Revenue Funds, along with each fund's purpose, are described below:

Highway User Revenue Fund

Fund Purpose

This fund receives and expends the City's allocation of the Arizona Highway User Revenue tax and other transportation related revenues. The amount available to each City is allocated based on population, which is determined by the latest federal census. These monies must be used for street construction, reconstruction, maintenance or transit. The State of Arizona requires the City to establish and maintain a Highway User Revenue Fund.

Highway User Revenue Fund Revenues and Transfers-In

Highway User Revenue Tax ("gas tax") is distributed by the State of Arizona based upon the population of each city and the county of origin for the sales of fuel. The State constitution requires that all highway user revenue be used solely for street, highway or transit purposes. The current gas tax is 18 cents per gallon. The cities share in 27.5 percent of State collected highway user revenues, based half on population and half on the origin of the gas sale. The proposed FY 2004/05 budget of \$13.9 million represents an increase of \$0.4 million or 3.1% from the FY 2003/04 year-end estimate.

Local Transportation Assistance Fund Revenue ("state lottery") is distributed by the State of Arizona based upon population and city and town participation in the lottery. LTAF revenue sharing was capped at a total of \$20.5 million in 1989 by the Arizona state legislature, resulting in no growth in this segment of intergovernmental transportation revenue. The proposed FY 2004/05 budget of \$1.1 million is flat with the FY 2003/04 year-end estimate due to the restrictions noted.

Transfers-In from the Transportation Privilege Tax Fund and the General Fund support the program expenditures Highway User Revenue Fund. The proposed General Fund is budgeted to provide a \$3.6 million subsidy to support the programs of the Highway User Revenue Fund, which corresponds with the total resources needed to balance the budgeted operating and capital expenditures in the Highway User Revenue Fund.

Special Revenue Fund Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.9	\$13.9*
2003/04	\$13.5	\$13.5*
2002/03	\$13.1	\$13.4
2001/02	\$13.2	\$12.6

Special Revenue Fund Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.1	\$1.1*
2003/04	\$1.1	\$1.1*
2002/03	\$1.1	\$1.1
2001/02	\$1.2	\$1.2

Highway User Revenue Fund Expenditures By Expenditure Type

The Highway User Revenue Fund expenditures are presented by five major expenditure categories: personal services, contractual services, commodities, capital outlay, and debt service plus transfers-out to other funds as noted below:

Personal Services budget of \$4.7 million represents 19.0% of the FY 2004/05 Highway User Revenue Fund Operating Budget of \$24.9 million. The proposed FY 2004/05 personal services budget represents a 6.0% decrease from the FY 2003/04 adopted budget. The budget does not include any additional positions. Any staffing changes/increases to address service demands were accomplished through the redeployment of existing personnel.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.7	\$4.7*
2003/04	\$5.0	\$5.0*
2002/03	\$5.0	\$4.9
2001/02	\$4.8	\$4.5

Contractual Services proposed budget of \$16.5 million represents 66.1% of the FY 2004/05 Highway User Revenue Fund Operating Budget of \$24.9 million. The FY 2004/05 budget of \$16.5 million is \$1.1 million or 7.1% more than the FY 2003/04 adopted budget. The majority of this increase is due to the increase in transit costs and a larger street maintenance program for FY 2004/05.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.5	\$16.5*
2003/04	\$15.4	\$15.4*
2002/03	\$15.8	\$16.2
2001/02	\$15.6	\$15.1

Commodities proposed budget of \$0.5 million represents 2.0% of the FY 2004/05 General Fund Operating Budget of \$21.7.0 million. The FY 2004/05 budget of \$0.5 million represents no increase from FY 2003/04 commodities budget. The lack of need for an increase is due to the continuing effort by staff toward zero-based program budgeting, whereby line-item expenditure budgets are carefully evaluated and justified.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.6	\$0.8
2001/02	\$0.8	\$0.8

See glossary for
Expenditure Type
definitions.

SPECIAL REVENUE FUNDS

Budget by Fund

Capital Outlay proposed budget for FY 2004/05 is zero. As a result of the on-going zero-based program budget approach, no capital outlay was approved for inclusion in the budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0	\$0*
2003/04	\$0	\$0*
2002/03	\$0	\$0.1
2001/02	\$0.2	\$0.1

Debt Service proposed budget of \$3.1 million is equal to the FY 2003/04 budget and represents 12.5% of the Highway User Revenue Fund Operating Budget. The debt consists of payment for the Highway User Revenue Bonds along with the applicable annual fiscal agent fees. The Highway User Revenue Bonds are slated to be fully repaid in FY 2006/07.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.1	\$3.1*
2003/04	\$3.1	\$3.1*
2002/03	\$3.1	\$3.1
2001/02	\$3.1	\$3.1

Transfers-Out to the capital project fund of approximately \$0.1 million is to cover the cost of replacing computer/telephone equipment.

Highway User Revenue Fund Balance

The FY 2004/05 Highway User Revenue Fund ending balance is projected to be zero. The fund does not maintain a fund balance due to its reliance on the General and Transportation Privilege Tax Funds to make up the difference between revenue and expenditures each year.

*Transportation Privilege Tax Fund (.20%)***Fund Purpose**

In 1989, voters approved a Transportation Privilege (Sales) Tax (.20%), which is dedicated to funding transportation improvements. This fund accounts for the activity related to the Transportation Privilege tax. Revenues are transferred to the Highway User Revenue Fund (up to 40.0% of the sales tax revenues) and to Capital Projects to fund transportation related improvements.

Transportation Privilege Tax Fund (.20%) Revenues

Transportation Privilege (Sales) Taxes (.20%) of \$15.7 million represent 100.0% of this fund's budgeted operating revenue. After nearly a decade of double-digit revenue growth, the FY 2004/05 forecasts a modest 3.2% increase. Please note there is a difference of \$0.5 million between the transportation and preservation privilege tax revenue amounts, which is attributable to differences in the taxing provisions for each of the revenues.

Local Privilege Taxes Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$15.7	\$15.7*
2003/04	\$15.5	\$15.5*
2002/03	\$16.4	\$15.3
2001/02	\$17.0	\$15.6

Interest Earnings are no longer forecast in this fund due to a change in accounting procedure. At the end of the month a journal entry is prepared transferring all revenue collected in this fund to either the Highway User Revenue Fund (capped at 40%) or the transportation capital improvement fund.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0	\$0*
2003/04	\$0.5	\$0*
2002/03	\$0.5	\$0.2
2001/02	\$0.6	\$0.2

**Transportation Privilege Tax Fund (.20%)
Expenditures By Expenditure Type**

There are no direct operating expenditures in the Transportation Privilege Tax Fund (.20%), only transfers-out to the Highway User Revenue Fund and Capital Projects Fund.

Transfers-Out in FY 2004/05 total \$15.7 million comprised of \$6.3 million to the Highway User Revenue Fund to cover the cost of transportation related operating costs, and \$9.4 million to the capital fund to cover the cost of capital transportation related capital improvements. The \$6.3 million transfer-out to the Highway User Revenue Fund represents a policy change adopted by City Council in FY 2003/04 allowing up to 40.0% of the annual Transportation Privilege (Sales) Tax (.20%) to be used to cover the cost of transportation system improvement operating costs.

Transportation Privilege Tax Fund (.20%) Balance

The FY 2004/05 Transportation Privilege Tax Fund (.20%) ending fund balance is projected to be zero since at year-end any remaining funds are transferred to the Capital Project Fund or Highway User Revenue Fund.

1995 Preservation Privilege Tax Fund (.20%)

Fund Purpose

In 1995, voters approved a 1995 Preservation Privilege (Sales) Tax (.20%), which is dedicated to the purchase of 36,400 acres of land within the McDowell Sonoran Preserve. Revenue collections and contractual debt associated with purchased land are accounted for in this fund. A transfer is made to the Debt Service Fund to pay debt service payments associated with bonds issued for purchases.

1995 Preservation Privilege Tax Fund (.20%) Revenues

1995 Preservation Privilege (Sales) Tax (.20%) of \$16.2 million represents 96.9% of this fund's operating revenue. After nearly a decade of double-digit revenue growth, the FY 2004/05 forecast a modest 3.2% increase. Please note there is a relatively minor difference of \$0.5 million between the transportation and preservation privilege revenue tax amounts, which is attributable to differences in the taxing provisions for each of the revenues.

Interest Revenue is expected to remain flat, with FY 2003/04 year-end estimate of \$0.5 million. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investments in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Local Privilege Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.2	\$16.2*
2003/04	\$16.1	\$16.1*
2002/03	\$16.6	\$15.6
2001/02	\$17.4	\$15.8

Interest Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.7
2001/02	\$0	\$0.8

1995 Preservation Privilege Tax Fund (.20%) Expenditures By Expenditure Type

There are no direct operating expenditures in the 1995 Preservation Privilege Tax Fund (.20%); however, there are debt service transactions and transfers-out.

Debt Service budget of \$0.9 million is equal to the FY 2003/04 adopted budget and consists of contractual debt for the McDowell Sonoran Preserve.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.9	\$0.9*
2003/04	\$0.9	\$0.9*
2002/03	\$0.9	\$1.0
2001/02	\$0.9	\$0.9

Transfers-Out totaling \$20.0 million to the Debt Service Fund pay debt service on Preservation Bonds. The increase in the transfer-out of \$3.9 million from the FY 2003/04 year-end estimate is directly attributable to the scheduled repayment of debt.

1995 Preservation Privilege Tax Fund (.20%) Balance

The Preservation Privilege Tax Funds are used solely for the acquisition of property within the preserve and payment of debt service on Preserve General Obligation Bonds, Preserve Authority Bonds, and contractual debt. The projected FY 2004/05 ending fund balance equals \$15.1 million, which represents a \$3.3 million decrease from the FY 2003/04 year-end estimate. The fund balance, with annual revenue contributions, is expected to be sufficient to pay for existing debt service. All debt authorized by voters for this fund has been issued.

*2004 Preservation Privilege Tax Fund (.15%)***Fund Purpose**

This potential new fund is contingent upon the outcome of the May 18, 2004 privilege tax ballot initiative to raise additional funds to complete Scottsdale's McDowell Sonoran Preservation efforts. Revenues received by this fund may be used for debt service payments related to preserve acquisition and construction of essential preserve related necessities such as proposed trailheads.

2004 Preservation Privilege Tax Fund (.15%) Revenues

2004 Preservation Privilege (Sales) Tax (.15%) is contingent upon the May 18, 2004 ballot initiative. At this time, the revenue forecast for this potential new fund is expected to equal approximately \$11.7 million. Revenue collections would begin July 1, 2004 and remittance would be received in August 2004; therefore, the revenue forecast for this potential new fund was calculated based on 11 months of cash receipts.

**2004 Preservation Privilege Tax Fund (.15%)
Expenditures By Expenditure Type**

There would be no direct operating expenditures budgeted in the 2004 Preservation Privilege Tax Fund (.15%) for FY 2004/05. If the May 18, 2004 ballot initiative to increase the City's privilege (sales) tax from 1.40 percent to 1.65 percent (Public Safety .10% and Preserve .15%) is approved, the (.15%) additional preserve sale tax revenue would be used for additional land purchases, trails and other improvements.

2004 Preservation Privilege Tax Fund (.15%) Balance

The 2004 Preservation Privilege Tax Fund (.15%) would be used solely for the acquisition of property within the preserve and payment of debt service on Preserve General Obligation Bonds, Preserve Authority Bonds, and contractual debt. The projected FY 2004/05 ending fund balance would be approximately \$11.7 million. Any revenues collected and not transferred in FY 2004/05 would remain in the 2004 Preservation Privilege Tax Fund (.15%) balance and would be used exclusively for future preservation needs.

Local Privilege Taxes Revenue
Adopted Budget to Actual/Estimate*
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.7	\$11.7*
2003/04	-	-
2002/03	-	-
2001/02	-	-

*Public Safety Privilege Tax Fund (.10%)***Fund Purpose**

This potential new fund is contingent upon the outcome of the May 18, 2004 ballot initiative. Revenues received by this fund would be used for enhanced public services outlined in the public safety strategic plan such as traffic enforcement, driving under the influence, cyber crimes, vice enforcement, photo radar enforcement and fire services.

Public Safety Privilege Tax Fund (.10%) Revenues

Public Safety Privilege Tax (.10%) is contingent upon the May 18, 2004 ballot initiative. At this time, the revenue forecast for this potential new fund is expected to equal approximately \$7.9 million. Revenue collections would begin July 1, 2004 and remittance would be received in August 2004; therefore the revenue forecast for this potential new fund was calculated based on 11 months of cash receipts.

Local Privilege Taxes Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7.9	\$7.9*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Public Safety Privilege Tax Fund (.10%) Expenditures By Expenditure Type

There would be no direct operating expenditures within the Public Safety Privilege Tax Fund (.10%); however there would be transfers-out to the General Fund to cover the costs of the enhanced public safety service expenditures.

Transfers-Out to the General Fund would be approximately \$3.5 million to cover the costs of 21.0 identified positions, including 13.0 Police Officers, 2.0 Police Sergeants and 2.0 Vice Detectives plus potential additional positions. The funding would also cover the costs of three new intersection detection systems to increase red light and fixed speed photo enforcement. If the May 18, 2004 ballot initiative to increase the City's privilege (sales) tax from 1.40 percent to 1.65 percent (Public Safety .10% and Preserve .15%) is approved, the additional (.10%) public safety privilege taxes would be used to pay for the following: upgrade radio systems, hire additional police officers with focused enforcement in the citizen noted high demand service areas: traffic, driving under the influence, cyber crimes, vice enforcement, photo red light operations, as well as special patrols in city parks and the McDowell Sonoran Preserve. Other public safety services that would be funded from the additional public safety privilege taxes include hiring additional firefighters, code enforcement officers and related public safety capital equipment and facilities. Beyond next fiscal year the additional public safety privilege taxes would be used to address other public safety strategic plan items such as additional bike units, traffic patrol, K-9 officer, park and preserve patrols and other capital needs.

Public Safety Privilege Tax Fund (.10%) Balance

The projected FY 2004/05 ending fund balance would be \$4.4 million. Any revenues collected and not transferred in FY 2004/05 would remain in the Public Safety Privilege Tax Fund (.10%) balance and would be used exclusively for future public safety needs.

Special Programs Fund

Fund Purpose

This fund is used to account for dedicated funding sources and donations earmarked for specific purposes. All revenue not expended in the current fiscal year is carried over to the next fiscal year to continue funding the intended purpose.

Special Programs Fund Revenues

Miscellaneous Court Revenue originates from three sources: Court Enhancement, Judicial Collections Enhancement Fund (JCEF), and Fill the Gap (FTG). The Court Enhancement is established by Scottsdale City Ordinance 2570 section 9-7.2 and provides funding to enhance the technological, operational and security facilities of the Court. JCEF and FTG were established by Arizona Revised Statutes (ARS) 12-116 (A) (B) and Senate Bill (SB) 1013, which provide funding for maintaining and enhancing the Court's ability to collect and manage monies. The FY 2004/05 budget for Miscellaneous Court Revenue equals \$0.6 million.

Miscellaneous Police Revenue includes money from the following five sources: (1) Racketeering Influenced Corrupt Organization (RICO) funds and is only to be used for law enforcement purposes, (2) a Forensic Services Intergovernmental Agreements (IGA) with surrounding communities for full cost recovery of crime laboratory services provided, (3) donations for the Mounted Unit, Family Advocacy Center, (4) drug conviction assessments which may only be used for crime laboratory analysis purposes, and (5) funds for school resource education supplies. The budget for this revenue source is \$0.4 million.

Miscellaneous Community Services Revenue includes donations and contributions that are to be spent for the specific purpose indicated by the donors. Specific purposes include supporting the arts, enhancing parks, libraries and human services, providing memorials, covering the expenses associated with special events, providing funds to community support agencies (Scottsdale Cares), and maintaining and operating the train, carousel and park facilities at the McCormick-Stillman Railroad Park. This revenue also includes McCormick-Stillman Railroad Park revenue generated from the operations of the train and carousel owned by the Scottsdale Railroad and Mechanical Society. The budget for this revenue source is approximately \$1.4 million in FY 2004/05. Current revenues and the planned use of prior year carryover revenues will fund these services.

Miscellaneous Court Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.6	\$0.6*
2003/04	\$0.6	\$0.6*
2002/03	\$0.6	\$0.6
2001/02	\$0.5	\$0.5

Miscellaneous Police Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.3	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.4	\$0.5

Miscellaneous Community Services Rev. Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$1.4	\$1.4*
2003/04	\$1.6	\$1.6*
2002/03	\$1.5	\$2.0
2001/02	\$2.2	\$1.5

SPECIAL REVENUE FUNDS

Budget by Fund

Miscellaneous Human Resource Services Revenue is generated from corporate sponsorship obtained through community outreach efforts in support of cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration. In FY 2004/05, it is estimated that approximately \$7,200 will be deposited into this fund.

Miscellaneous Human Resources Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7,200	\$7,200*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Miscellaneous Citizen and Neighborhood Resources Revenue are generated by the City Court deposit of 50.0% of the total amount of fines collected for code enforcement violations. The fines pay for any abatement procedures necessary to clean-up a property. In FY 2004/05, it is estimated the fines deposited into this fund will equal approximately \$19,700.

Miscellaneous Citizen and Neighborhood Resources Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19,700	\$19,700*
2003/04	\$68,000	\$68,000*
2002/03	\$0	\$903
2001/02	\$0	\$0

Miscellaneous Planning and Development Services Revenue originates from the Green Building Program fees. The Green Building Program is a whole-systems approach utilizing design and building techniques to minimize environmental impact and to reduce the energy consumption of a building while contributing to the health of its occupants. The program fees are used to fund promotion, education, and public outreach to pro-actively campaign for environmentally responsible buildings in the City. The budget for this revenue source of \$20,600 is a nominal \$600 increase over the FY 2003/04 year-end estimate.

Miscellaneous Planning and Development Services Revenue Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20,600	\$20,600*
2003/04	\$20,000	\$20,000*
2002/03	\$42,500	\$20,475
2001/02	\$47,500	\$0

Transfers-In from the General Fund is budgeted at \$110,000 or the Affordable Housing program in Citizen and Neighborhood Resources, which are used as a local grant match to leverage federal and state housing grant funds and for the preservation and maintenance of properties on Scottsdale's Historic Register.

SPECIAL REVENUE FUNDS

Budget by Fund

Special Programs Fund Expenditures By Department

The use of funds in the Special Programs Fund includes departmental operating expenditures, debt service and transfers-out as noted below:

Courts budgeted expenditures in FY 2004/05 are approximately \$0.3 million, which is equivalent to the FY 2003/04 adopted budget. Expenditures will be used to enhance the technological, operational and security facilities of the Court as well as maintain and enhance the Court's ability to collect and manage monies.

Courts Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.1	\$0.1*
2001/02	\$0.1	\$0.1

Police budgeted expenditures in FY 2004/05 Special Programs budget are \$374,785. Racketeering Influenced Corrupt Organization (RICO) Funds of \$221,130 will be used to supplement narcotics investigations operating expenses and to purchase 50 new tasers to provide officers with a "less lethal" option on suicidal/violent subjects; funding from intergovernmental agreements in the amount of \$81,455 will be used to purchase expendable supplies in support of police crime laboratory services; and \$37,500 from donations is budgeted to purchase expendable supplies in support of the Mounted Unit and Family Advocacy Center.

Police Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.3	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.4	\$0.2

Community Services have increased their budget to \$2.7 million, representing an increase of \$0.3 million or 12.5% from the FY 2003/04 adopted budget. The \$0.3 million increase is for the design of a model railroad building at McCormick-Stillman Railroad Park to be built in FY 2005/06.

Community Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.7	\$2.7*
2003/04	\$2.4	\$2.4*
2002/03	\$2.0	\$1.2
2001/02	\$2.2	\$1.5

SPECIAL REVENUE FUNDS

Budget by Fund

Human Resource Services expenditures are budgeted at approximately \$7,200 for FY 2004/05. The funds received from corporate sponsorship obtained through community outreach efforts will support cultural programming, including the Cross-Cultural Communication Series and the Hispanic Heritage Community celebration.

Human Resources Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$7,200	\$7,200*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Citizen & Neighborhood Resources budget totals \$19,700. The funds received from code enforcement violation fines will be used to pay for any abatement procedures necessary to clean-up properties.

Citizen and Neighborhood Resources Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19,700	\$19,700*
2003/04	\$68,000	\$68,000*
2002/03	\$0	\$903
2001/02	\$0	\$0

Planning and Development budget \$20, 600 represents a nominal increase of \$600 or 3.0% from the FY 2003/04 adopted budget. The funds will be spent on advertising and promoting through contractual services the City's Green Building Program.

Planning and Development Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20,600	\$20,600*
2003/04	\$20,000	\$20,000*
2002/03	\$42,500	\$14,066
2001/02	\$47,500	\$10,000

Preservation Rehabilitation budget totals \$10,000 for FY 2004/05. A Historic Preservation Rehabilitation Fund of \$10,000 a year for life of the sales tax incentive to the Hotel Valley Ho was established and paid for by the owner of the Hotel Valley Ho. The funds are to be used by the City to assist in the preservation and maintenance of other properties on Scottsdale's Historic Register.

Preserve Rehabilitation Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$10,000	\$10,000*
2003/04	-	-
2002/03	-	-
2001/02	-	-

SPECIAL REVENUE FUNDS

Budget by Fund

Transfers-Out total \$0.6 million, which includes \$0.1 million to the Capital Improvement Fund for RICO and \$0.5 million to the Capital Improvement Fund for Court related capital projects.

Special Programs Fund Balance

Special Programs Fund balance of \$1.6 million represents cash received and restricted by donors or contributors for specific uses. All balances not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose. The Special Programs Fund balance is largely a matter of timing differences between when funds are received and ultimately spent for the intended purpose.

Grant Fund

Fund Purpose

This fund receives and expends the City's federal, state, and local grant revenues. The amount of grants received is generally based upon application to granting agencies by the City and upon availability of funding by the grantors. Grant revenues may be used only for the stated purpose in the approved grant agreement and are subject to grantor expenditure guidelines and audits. The City will only expend grant funds that have been appropriately awarded by the granting agency and accepted by City Council in a public meeting.

The total proposed FY 2004/05 grant revenue budget is \$24.2 million and includes \$16.6 million for contingent grant revenue that may become available during the fiscal year. The contingent grant revenue is included to create budgetary capacity for City Council to accept new grants and still comply with State of Arizona budget expenditure limits set with tentative budget adoption. The appropriations associated with the contingent grant revenue are not available for expenditures unless a new grant is awarded and accepted by City Council. The City aggressively seeks grant funding to leverage City funds to address priority program and service needs. The major areas of the grant revenue budget are noted below:

Grant Fund Revenues by Grant Area

Aviation Grants proposed budget of just over \$5.0 million for FY 2004/05 is for future grants should they become available. The proposed budget has decreased by \$7.8 million from the FY 2003/04 year-end estimate because of an administrative change in the handling of capital-related grants. Previously, capital-related aviation grants were deposited into the operating budget and then transferred to the capital fund. Under the new process, capital grant proceeds are directly deposited into the capital fund, which are included in the Capital Improvement Plan. The aggregate amount of aviation operational and capital grant funds received by the City will remain the same. The Aviation program traditionally receives federal and state grants for such capital improvements as runway widening, taxiway reconstruction, land acquisition and various safety related improvements. Grants are not normally awarded until October, the beginning of the Federal fiscal year. Again, the appropriation associated with the grant revenue is not available for expenditures unless a new grant is awarded and accepted by City Council.

Aviation Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$5.0	\$5.0*
2003/04	\$12.8	\$12.8*
2002/03	\$15.2	\$1.7
2001/02	\$8.4	\$5.6

Transportation Grants are often available for transit purposes, such as bus purchases and shelters, and to promote alternate transportation modes, such as construction of bike lanes and paths. In FY 2004/05 there is no operating grant revenue budgeted. All Transportation Grants in FY 2004/05 of \$10.8 million are capital-related, which are included in the Capital Improvement Plan.

Transportation Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0	\$0*
2003/04	\$0.5	\$0.5*
2002/03	\$0	\$0.8
2001/02	\$2.9	\$4.0

Community Development Block Grants (CDBG) and Section 8 Grants are awarded annually by the U.S. Department of Housing and Urban Development (HUD) upon application for funding by the City. These grant revenues may only be used for those projects specifically approved in the grant application and are subject to agency expenditure guidelines and audits. For FY 2004/05, the CDBG and Section 8 budgets are nearly \$1.6 million and \$5.3 million respectively, for a total of approximately \$6.9 million.

CDBG and Section 8 Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.9	\$6.9*
2003/04	\$6.7	\$6.7*
2002/03	\$5.4	\$5.7
2001/02	\$5.1	\$5.5

Home Grants are received from the Maricopa County Home Consortium and are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing and leverage private-sector participation in housing. The FY 2004/05 operating grant revenue is budgeted at approximately \$0.5 million.

Home Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.7	\$0.7*
2002/03	\$0.3	\$0
2001/02	\$0.3	\$0.6

Miscellaneous Federal & State Grants total \$11.9 million for FY 2004/05, which is a \$6.8 million increase from the FY 2003/04 year-end estimate, and include grants for law enforcement, library projects and Homeland Security. The majority of the increase is due to the increase in future grants should they become available. The FY 2004/05 budget includes \$0.3 million in continuing grant revenue from FY 2003/04 grant awards and \$11.6 million in future grants contingent upon awards.

Miscellaneous Federal & State Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.9	\$11.9*
2003/04	\$5.1	\$5.1*
2002/03	\$4.7	\$1.3
2001/02	\$8.3	\$1.9

Grant Fund Expenditures By Grant

Information on Grant Fund expenditures is noted below:

Aviation Grants budgeted expenditures in FY 2004/05 of approximately \$5.0 million in FY 2004/05 are for future grants should they become available. The proposed expenditure budget has decreased by \$7.8 million from the FY 2003/04 adopted budget because of an administrative change in the handling of capital-related grants. Previously, capital-related aviation grants were deposited into the operating budget and then transferred to the capital fund. Under the new process, capital grant proceeds are directly deposited into the capital fund, which are included in the Capital Improvement Plan. The aggregate amount of aviation operational and capital grant funds received by the City will remain the same.

Aviation Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$5.0	\$5.0*
2003/04	\$12.8	\$12.8*
2002/03	\$15.2	\$1.7
2001/02	\$8.4	\$5.6

Transportation Grants In FY 2004/05 there are no operating grant expenditures budgeted. All transportation grants in FY 2004/05 of \$10.8 million are capital-related, which are included in the Capital Improvement Plan.

Transportation Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0	\$0*
2003/04	\$0.5	\$0.5*
2002/03	\$0	\$0.8
2001/02	\$2.9	\$4.0

Community Development Block Grants (CDBG) and Section 8 Grants budgeted expenditures in FY 2004/05 of approximately \$6.9 million represents an increase of \$0.2 million or 3.0% from the FY 2003/04 adopted budget. The budgeted expenditures include costs for the following two new positions in FY 2004/05: (1) a Grant Program Specialist to provide assistance to an increased number of low-moderate income households and decrease the length of time on the City Housing Rehabilitation waiting list, and (2) a Housing Coordinator to fulfill the added responsibilities of the Scottsdale Housing Agency, implement the Section 8 program and manage the First Time Homebuyer Program.

CDBG and Section 8 Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.9	\$6.9*
2003/04	\$6.7	\$6.7*
2002/03	\$5.4	\$5.9
2001/02	\$5.1	\$5.2

SPECIAL REVENUE FUNDS

Budget by Fund

Home Grants budgeted expenditures of \$0.5 million in FY 2004/05 are to be used to provide affordable housing, expand the capacity of non-profit housing providers, strengthen the ability of local governments to provide housing and leverage private-sector participation in housing.

Home Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.7	\$0.7*
2002/03	\$0.3	\$0
2001/02	\$0.3	\$0.6

Miscellaneous Federal & State Grants expenditure budget in FY 2004/05 equals approximately \$11.9 million, which is a \$6.8 million increase from the FY 2003/04 adopted budget. The majority of the increase is due to the increase in future grants should they become available. The funding will be used in the contractual services (\$6.1 million), commodities (\$2.6 million) and capital outlay (\$3.2 million) expenditure categories to provide a wide variety of law enforcement, library, Homeland Security and social services.

Miscellaneous Federal & State Grants Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.9	\$11.9*
2003/04	\$5.1	\$5.1*
2002/03	\$4.7	\$1.3
2001/02	\$8.3	\$1.9

Grant Fund Balance

The Grant Fund balance can fluctuate from year to year due to the nature of the specific grants that have been awarded. Most of the City's grant awards are "expenditure driven" reimbursement grants, meaning the City is reimbursed after the grant-related expenditure is made for the intended purpose. On a less frequent basis, the City is awarded "endowment" type grants, which means the City actually receives the grant funding prior to making an expenditure.

Debt Service Funds

Fund Purpose

This fund records the accumulation of resources for, and the payment of, long-term debt principal and interest not serviced by the proprietary funds, with the exception of General Fund, which is shown in the General Fund debt service section of the Five-Year Financial Plan. The applicable specific revenues, expenditures, and fund balance of the Debt Service Fund are described below:

Debt Service Fund Revenues and Transfers-In

Secondary Property Tax represents the portion of the property tax that is exclusively limited to pay debt service by Arizona State Statue. While the growth is unlimited, the City's use of this portion of the property tax is restricted by State Statue to solely pay debt service on voter approved general obligation bonds. The debt service for bonds already issued, plus estimated debt service for bonds planned to be issued within the budgeted fiscal year, is levied. Secondary property tax accounts for 54.1% of the total Debt Service Fund resources. The FY 2004/05 revenue forecast of \$26.9 million represents an increase of \$4.2 million or 18.5% from the FY 2003/04 year-end estimate of \$22.7 million.

Special Assessment Revenue is estimated to be \$2.8 million for FY 2004/05, which is \$0.1 million less than the FY 2003/04 year-end estimate based on scheduled debt repayments. The \$2.8 million represent approximately 5.6% of the total debt service resources resulting from billings to the property owners within an Improvement District. Districts are formed when owners desire improvement to their property, such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. Improvement District debt will be permitted only when the full cash value of the property, as reported by the Maricopa County Assessor's Office, to debt ratio (prior to improvements being installed) is a minimum of 3:1 prior to issuance of debt and 5:1 or higher after construction of improvements. Should the full cash value to debt ratio not meet the minimum requirements, property value may be determined by an appraisal paid for by the applicant and administered by the City. In addition, per adopted financial policy, the City's cumulative improvement district debt will not exceed 5 percent of the City's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

Transfers-In for FY 2004/05 of approximately \$20.0 million will be transferred in from the 1995 Preservation Privilege Tax Fund (.20%) (Special Revenue Fund) to pay debt service of \$13.1 million for Preserve GO Bonds and \$6.9 million for Preserve Revenue Bonds issued for land acquisition in the McDowell Mountain Sonoran Preserve.

Secondary Property Tax Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$26.9	\$26.9*
2003/04	\$25.5	\$22.7*
2002/03	\$22.8	\$22.4
2001/02	\$21.9	\$21.6

Special Assessment Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.8	\$2.8*
2003/04	\$2.9	\$2.9*
2002/03	\$2.6	\$2.3
2001/02	\$3.1	\$2.3

DEBT SERVICE FUNDS

Budget by Fund

Debt Service Fund Expenditures By Debt Type

General Obligation (GO) / Preserve GO Bonds Debt Service totals \$40.0 million for FY 2004/05, which represents an increase of nearly \$8.1 million or 25.4% from the FY 2003/04 adopted budget. The Preserve GO Bonds represent debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. Preserve debt is repaid by a dedicated .2% sales tax authorized by voters in 1995. The increase in the debt service expenditure is attributable to planned April 2004 GO debt issuances of \$48.0 million for a variety of capital improvements and \$65.4 million for the continuing purchase of the McDowell Sonoran Preserve.

Special Assessment Debt Service totals \$2.8 million for FY 2004/05, which reflects a \$0.1 million decrease from the FY 2003/04 adopted budget. Special Assessment Bonds are issued for property owners desiring improvements to their property such as roads, water lines, sewer lines, streetlights, or drainage. The expenditure of funds to construct the specific capital improvements and to pay the debt service on bonds is appropriated as part of the City's budget; however, the debt service is repaid by the property owners through a special assessment on their improved property. The City's debt management policy requires that the full cash value of the property to debt ratio is a minimum of 3:1 prior to issuance of debt and at least 5:1 after construction of the improvements.

Preserve Revenue Authority Bonds Debt Service obligations for FY 2004/05 total \$6.9 million, which is equivalent to the FY 2003/04 adopted budget. The Preserve Revenue Authority Bonds represent prior debt issuances related to land acquisition in the McDowell Mountain Sonoran Preserve. The debt service remains level in FY 2004/05, as no new bonds of this type will be issued. All preserve debt, past and future is repaid from the dedicated 1995 Preservation Privilege (Sales) Tax (.20%) authorized by the voters in 1995.

General Obligation Bond Debt Service Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$40.0	\$40.0*
2003/04	\$35.1	\$31.9*
2002/03	\$32.4	\$31.4
2001/02	\$30.3	\$25.2

Special Assessment Debt Service Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.8	\$2.8*
2003/04	\$2.9	\$2.9*
2002/03	\$2.6	\$2.3
2001/02	\$3.1	\$2.6

Preserve Revenue Bonds Authority Debt Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$6.9	\$6.9*
2003/04	\$6.9	\$6.9*
2002/03	\$6.9	\$6.9
2001/02	\$6.9	\$6.8

Debt Service Fund Balance

The Debt Service Fund balance varies primarily due to the timing of debt issuances and related repayment schedule. The ending FY 2004/05 fund balance is projected to be \$10.5 million, which is equal to the FY 2003/04 year-end estimate.

Enterprise Funds

Description

The City uses three separate Enterprise Funds to account for the activity of this proprietary fund type. The individual funds are Water & Sewer, Solid Waste, and Aviation. In the aggregate, the Enterprise Funds are the City's second largest source of revenues, which are derived from user fees and charges. User fees and charges are established to promote efficiency by shifting payment of costs to specific users of services and avoiding general taxation. Moderate rate increases are included as part of this budget to offset increasing operating costs, mandated environmental standard compliance, and pay-as-you-go capital costs attributable to repair and replacement of infrastructure. The applicable specific revenues of the individual funds along with each fund's purpose are described below:

Water & Sewer Funds

Fund Purpose

This fund accounts for the activity related to the City's water and sewer business activity, including operating and debt service payments. Capital Expenditures are accounted for in various CIP funds.

Water & Sewer Funds Revenues and Transfers-In

Water Charge Revenue The Water Charges revenue proposed budget for FY 2004/05 totals \$70.8 million, which reflects a \$1.4 million increase or 2.0% from FY 2003/04 year-end estimate. The increase is a combination of a proposed increase in the water rate and growth from anticipated new customers, partially offset by a decrease in water consumption. Monthly water billings consist of a base charge according to meter size and a variable charge for the amount of water consumed. The FY 2004/05 budget includes a proposed 3.0% water rate increase for increased operating and capital costs resulting from the following "unfunded" mandated and proposed regulations from the United States Environmental Protection Agency (EPA): (1) EPA Mandatory Arsenic Rule requiring that utilities decrease the maximum contaminant level of arsenic in drinking water from 50 parts per billion to 10 parts per billion by 2006; and (2) Pending EPA Disinfection by-product regulation (by-products resulting from adding chlorine to water) requiring that water systems in the United States reduce Disinfection by-products in potable water at all points of delivery in the system. The City anticipates required compliance by 2006. These significant federal "unfunded" mandates will require costly improvements to Scottsdale's Water treatment and delivery systems in order to meet the new requirements.

Because the majority of the City's groundwater resources exceed the new standard for arsenic, the City is particularly susceptible to arsenic related cost increases. The City must continue its reliance on groundwater, where arsenic is naturally occurring, for peak demand and drought protection. Therefore, the City has incorporated an arsenic mitigation program into its capital improvement program to ensure that

Water Charges Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$70.8	\$70.8*
2003/04	\$71.4	\$69.4*
2002/03	\$65.9	\$66.7
2001/02	\$62.5	\$65.1

the City's groundwater supply resources will be in compliance with the Arsenic Rule by January 2006. The arsenic mitigation program has identified the most cost-effective method for treating the groundwater, has initiated land acquisition for planned treatment facilities, and has secured contracts for the design and construction of these facilities. The estimated cost for this program is approximately \$59.5 million during the planning horizon. This program benefits existing customers.

As noted, the City must also address environmental regulations that require all water systems in the United States to reduce the maximum contaminant level of disinfection by-products in potable water at all points of system delivery. To ensure compliance, the City will add granular-activated carbon to its treatment processes at its treatment facilities. Total projected costs for disinfection by-products compliance is \$40 million for existing customers. The total capital costs for the City to address these "unfunded" federal mandates is approximately \$100.0 million

The financial plan to address these requirements calls for debt issuance that will help level the impacts to our customers over many years, thereby avoiding large rate increase in any one year.

Sewer Charge Revenue budget for FY 2004/05 totals \$26.1 million, which reflects a \$1.8 million or 1.9% increase from the FY 2003/04 year-end estimates. The increase is a combination of a proposed increase in the sewer rate and growth from anticipated new customers. Residential customers are charged a flat fee per month and commercial users are charged based upon water consumption and type of business. Fees are studied annually to determine if they are covering the cost of providing this service. The FY 2004/05 budget includes a 2.5% rate increase for the costs associated with expansion and upgrades to wastewater treatment facilities.

Stormwater Water Quality Charge revenue of \$0.6 million in FY 2004/05 relates to a proposed 1.0% increase to existing environmental water quality charge to help pay a portion of the Stormwater Management program costs. These costs are driven by "unfunded" federal mandates that require the City to operate under National Pollutant Discharge Elimination System (NPDES) permit to address the quality of stormwater runoff.

Overview of User Fees Revenue Policy

Enterprise User Fees rate adjustments are based upon five-year financial plans developed for each operation, and are reviewed annually per Scottsdale's adopted financial policies to meet the stated objectives of:

- Equity — charges are borne by the beneficiaries of a project or service;
- Level distribution of necessary cost increases — to avoid large rate increases in any one year;
- Increasing debt as little as possible — to ensure that the City can meet bond coverage requirements and remain financially healthy;
- Rate design — which encourages conservation and efficient use of City resources.

Sewer Charge Revenue Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$26.1	\$26.1*
2003/04	\$25.9	\$25.6*
2002/03	\$26.8	\$25.5
2001/02	\$26.5	\$24.3

Stormwater Water Quality Charge Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.6	\$0.6*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Effluent Sales revenue budget totals \$0.5 million, which reflects approximately a \$0.1 million increase from the FY 2003/04 year-end estimate. Effluent sales relate to the sewage treated to irrigation standards at the City's Water Campus for the twenty golf courses in north Scottsdale that are part of the Reclaimed Water Distribution System and the Gainey Ranch golf course effluent use from that regional wastewater plant. Both are contractual obligations to provide effluent water for irrigation uses and all costs for providing these services are recovered through rates charged for the use.

Effluent Sales Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.4	\$0.4*
2002/03	\$0.3	\$0.5
2001/02	\$0.4	\$0.4

Interest Earnings are generated on idle Water & Sewer Fund cash balances throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield and allows investments in U.S. Treasury and Agency obligations, certificates of deposit, commercial paper, bankers' acceptances, repurchase agreements, money market funds, and the State of Arizona's Local Government Investment Pool. Interest revenue for FY 2004/05 of \$4.2 million reflects a \$2.1 million increase from the FY 2003/04 year-end estimate.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.2	\$4.2*
2003/04	\$2.1	\$2.1*
2002/03	\$2.3	\$0.5
2001/02	\$5.3	\$2.0

Miscellaneous Revenue budget totals \$2.2 million for FY 2004/05, which is a \$1.0 million increase from the FY 2003/04 year-end estimate. Receipts from the Central Groundwater Treatment Facility Superfund site are the primary revenue contributor.

Miscellaneous Revenue Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.2	\$2.2*
2003/04	\$1.2	\$1.2*
2002/03	\$3.9	\$7.1
2001/02	\$3.8	\$3.3

Transfers-In include the \$5.0 million portion of Sewer Development fee revenues received in the enterprise capital improvement fund, which is transferred to the General Fund budget to pay debt service on revenue bonds issued for development-related capital improvements. The FY 2004/05 budget remains consistent with the FY 2003/04 year-end estimate.

Water & Sewer Fund Expenditures By Expenditure Type

The Water & Sewer Fund expenditures are presented by the following five major expenditure categories: personal services, contractual services, commodities, capital outlay and debt service. Additionally, there are transfers-out to other funds.

Personal Services budget of \$11.3 million represents 17.6% of the FY 2004/05 Water & Sewer operating budget. The proposed FY 2004/05 personal services budget increased \$0.7 million from the FY 2003/04 adopted budget. Major personal services cost drivers in the budget include increases of \$0.6 million related to health insurance costs, retirement system costs, and a proposed 2.5% salary market adjustment, and an additional 3.0 FTEs for increased maintenance efforts at both existing and new facilities at a cost of \$0.1 million for FY 2004/05.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.3	\$11.3*
2003/04	\$10.6	\$10.6*
2002/03	\$9.9	\$9.7
2001/02	\$9.9	\$9.6

Contractual Services budget of \$20.1 million represents 31.3% of the FY 2004/05 Water & Sewer operating budget. The budget increased \$1.2 million from the FY 2003/04 adopted budget due to the 91st Avenue Wastewater Treatment Plant billing estimates from the City of Phoenix based on strengths and flows.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$20.1	\$20.1*
2003/04	\$18.9	\$18.9*
2002/03	\$17.9	\$16.6
2001/02	\$19.5	\$18.4

Commodities budget of \$13.5 million represents 21.0% of the FY 2004/05 Water & Sewer operating budget. The proposed FY 2004/05 commodities budget increased \$0.7 million from the FY 2003/04 adopted budget related to water treatment chemicals and lab supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.5	\$13.5*
2003/04	\$12.8	\$12.8*
2002/03	\$13.6	\$12.3
2001/02	\$14.5	\$11.8

See glossary for
Expenditure Type
definitions.

Capital Outlay budget for FY 2004/05 is \$0.1 million, which is 0.2% of the FY 2004/05 Water & Sewer operating budget. The proposed FY 2004/05 budget increase of \$0.1 million is related to proposed purchase and upgrades of water trucks to meet additional workload capacity needs and address safety requirements.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.1	\$0.1*
2003/04	\$0	\$0*
2002/03	\$0	\$0.1
2001/02	\$0.2	\$0.2

Debt Service budget of \$19.3 million represents 30.0% of the FY 2004/05 Water & Sewer operating budget. The proposed FY 2004/05 debt services budget increased \$5.3 million from the FY 2003/04 adopted budget related to issuance and sale of \$75.0 million principal amount M.P.C. Bonds. General Obligation Bond debt service for bonds previously issued decreased \$0.4 million, or 7.1%. Revenue Bond debt service for bonds previously issued remained unchanged. Debt service payments are funded from water and sewer service fees and an annual transfer of \$4.9 million in sewer development fees from the Capital Improvement Program.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$19.3	\$19.3*
2003/04	\$14.0	\$14.0*
2002/03	\$15.9	\$11.4
2001/02	\$13.0	\$14.5

Transfers-Out equal \$35.7 million, which is a decrease of \$13.4 million over the prior year budget. The decrease is primarily attributable to a decrease in the capital fund transfer. The other transfers-out to the General Fund include \$0.6 million for the Stormwater Management Program and \$0.2 million for security contract.

Water & Sewer Fund Balance/Reserves

Fund Balance/Reserves protect the City's financial condition and provide for unexpected economic challenges. Growth of fund balance occurs when revenues exceed expenditures. Fund balances are similar to a company's net equity (assets less liabilities). Prudent fiscal management dictates fund balances should only be used for nonrecurring (non-operational) expenditures since once fund balances are spent, they are only replenished by future year resources in excess of expenditures.

The City's budget planning and adopted financial policies call for the establishment of reserves as part of the resource allocation/limit setting process. This process allows the City to "set aside savings" before it is allocated or spent as budgeted expenditures. The specific make-up of the City's fund balance and reserves are noted below:

Operating Reserve of \$18.3 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days.

Repair/Replacement Reserve of \$16.4 million is required by the revenue bond indenture to ensure that funds are set aside to preserve the assets, which in turn are the collateral for the Water Revenue Bonds. The reserve is required to be at least 2 percent of the revenues received during the year, or until the reserve equals 2 percent of the value of total tangible assets. The reserve may be used from time to time for replacement or extension of the assets.

Unreserved Fund Balance for FY 2004/05 is zero. This fund balance represents the net financial resources that are expendable or available for budgeting. In the event there is a remaining unreserved fund balance at fiscal year-end, the balance is transferred to the Capital Improvement Program.

Solid Waste Fund

Fund Purpose

This fund accounts for the transactions related to the City's solid waste and recycling business activity, including operating and debt service payments. Capital expenditures are accounted for in a separate Capital Improvement Plan fund.

Solid Waste Fund Revenues

Solid Waste Revenue budget for FY 2004/05 totals \$16.7 million, which reflects a \$0.5 million or 3.4% increase in Solid Waste revenue from the FY 2003/04 year-end estimate. The nominal increase is solely attributable to growth from anticipated new customers. Solid Waste Charges are billed monthly for the pickup of solid waste. Residential customers are charged a flat fee per month, while commercial customers are charged based upon the size of the container and the number of pickups per month. In addition, the City also provides roll-off, uncontained service, recycling programs, and household hazardous waste collection. The FY 2004/05 budget includes no rate increase for residential and commercial customers.

Interest Earnings budget of \$40,468 for FY 2004/05 is expected to remain relatively flat with the FY 2003/04 year-end estimate. Interest Earnings are generated on idle Solid Waste Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Solid Waste Charges Adopted Budget to Actual/Estimate* (in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$16.7	\$16.7*
2003/04	\$16.2	\$16.2*
2002/03	\$16.1	\$16.3
2001/02	\$16.2	\$15.8

Interest Earnings Adopted Budget to Actual/Estimate*

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$40,468	\$40,468*
2003/04	\$48,700	\$48,700*
2002/03	\$44,013	\$41,918
2001/02	\$35,000	\$55,200

Solid Waste Fund Expenditures By Expenditure Type

The Solid Waste Fund expenditures are presented by the following four major expenditure categories: personal services, contractual services, commodities, capital outlay and debt service. Additionally, there are transfers-out to other funds.

Personal Services budget of \$4.3 million represents 32.3% of the FY 2004/05 Solid Waste Fund budget. The proposed FY 2004/05 personal services budget increased \$0.1 million or 2.0% from the FY 2003/04 adopted budget. The budget does not include any additional positions. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a proposed 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.3	\$4.3*
2003/04	\$4.3	\$4.3*
2002/03	\$3.9	\$4.0
2001/02	\$3.8	\$3.7

Contractual Services budget of \$8.3 million represents 62.4% of the FY 2004/05 Solid Waste Fund budget. The proposed FY 2004/05 contractual services budget increased \$0.1 million or 1.0% from the FY 2003/04 adopted budget due in part to increased costs related to fleet maintenance and operations.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$8.3	\$8.3*
2003/04	\$8.2	\$8.2*
2002/03	\$8.0	\$7.7
2001/02	\$7.9	\$7.6

Commodities budget of \$0.3 million represents 2.3% of the FY 2004/05 Solid Waste Fund budget. The proposed FY 2004/05 commodities budget increased \$14,769 from the FY 2003/04 adopted budget related to purchase of additional refuse containers.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.4	\$0.3
2001/02	\$0.6	\$0.4

See glossary for
Expenditure Type
definitions.

ENTERPRISE FUNDS

Budget by Fund

Capital Outlay budget of 70,000 represents 0.8% of the FY 2004/05 Solid Waste Fund budget. Funds will be used to purchase a new compact loader and trailer for more effective bulk collection services to residents.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$70,000	\$70,000*
2003/04	\$0	\$0
2002/03	\$231,452	\$7,530
2001/02	\$23,688	\$12,730

Debt Service includes approximately \$0.3 million for the payment of MPC debt service on the Transfer Station. The amount of the debt service is consistent with the prior year.

Debt Service Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.3	\$0.3*
2003/04	\$0.3	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.3	\$0.3

Solid Waste Fund Balance

Operating Reserve of \$3.3 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies and the probability of significant future increases in landfill costs.

Unreserved Fund Balance of \$1.9 million represents the net financial resources that are expendable or available for budgeting.

Aviation Fund

Fund Purpose

This fund accounts for the transactions related to the City's aviation business activity at the Scottsdale Airport, which includes operating and debt service payments. Capital Expenditures are accounted for in a separate CIP fund.

Aviation Fund Revenues

Aviation Fees and Charges are for a variety of services provided to airport customers, (e.g., tie down fees, hangar rentals, fuel sales, and other rental charges). The FY 2004/05 budget of \$2.9 million remains flat with the FY 2003/04 year-end estimate. No rate increase is proposed for FY 2004/05.

Interest Earnings budget for FY 2004/05 totals \$24,215, which is up from the FY 2003/04 year-end estimate of \$9,924.

Aviation Fund Revenues Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.9	\$2.9*
2003/04	\$2.9	\$2.9*
2002/03	\$2.4	\$2.4
2001/02	\$1.5	\$1.7

Transfers-In budget of \$0.1 million for FY 2004/05 is related to jet fuel tax collected and receipted in the General Fund and transferred to reimburse the Aviation Fund. This is strictly a tax receipt process and is not a General Fund subsidy to the Aviation Fund.

Aviation Fund Expenditures By Expenditure Type

The direct operating expenditures of the Aviation Fund are divided into the following three major expenditure categories, plus transfers-out:

Personal Services budget of \$0.8 million represents 57.1% of the FY 2004/05 Aviation funds operating budget. The proposed FY 2004/05 personal services budget increased by less than \$0.1 million from the FY 2003/04 adopted budget. The major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a proposed 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.8	\$0.8*
2003/04	\$0.7	\$0.7*
2002/03	\$0.7	\$0.7
2001/02	\$0.6	\$0.6

See glossary for
Expenditure Type
definitions.

Contractual Services budget of \$0.5 million represents 35.7% of the FY 2004/05 Aviation funds operating budget. The proposed FY 2004/05 budget remains flat with the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.6
2001/02	\$0.5	\$0.5

Commodities budget of \$0.1 million represents 4.4% of the FY 2004/05 Aviation funds operating budget, which remains relatively flat with the FY 2003/04 adopted budget.

Commodities Adopted Budget to Actual/Estimate*		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.1M	\$0.1M*
2003/04	\$61,670	\$61,670*
2002/03	\$64,670	\$31,176
2001/02	\$50,795	\$77,090

Transfers-Out equals \$1.3 million, which is an increase of \$0.1 million from the FY 2003/04 year-end estimate. The other transfers-out to the General Fund are consistent with the prior year.

Aviation Fund Balance

Operating Reserve of slightly more than \$0.5 million is projected for the end of FY 2004/05. This reserve is intended to ensure adequate funding for operations for a period of 90 days. The intent of the reserve is to provide for emergencies, provide for potential grant matches and to ensure that further General Fund subsidies are avoided.

Unreserved Fund Balance for FY 2004/05 is zero. The balance represents the net financial resources that are expendable or available for budgeting.

Internal Service Funds

Description

The City uses two separate Internal Service Funds to account for the activity of this fund type. The individual funds are Fleet Management and Self-Insurance Funds.

Fleet Management Fund

Fund Purpose

This fund is used to account for the expenditures associated with purchasing and maintaining the City's vehicles. Replacement and operation of vehicles are charged to the City departments as internal operating costs to each program based on the quantity and type of vehicle used. The department charges become revenue to the Fleet Management Fund.

Fleet Management Fund Revenues and Transfers-In

Internal Charges (Vehicle Acquisition and Maintenance & Operation) represent approximately 95.8% of this fund's operating resources (revenue and transfers-in). These charges are comprised of a "rental" rate to programs sufficient for the acquisition/replacement, maintenance and operation of City vehicles. Internal Charges for FY 2004/05 totals \$11.5 million and are projected to increase by approximately \$0.4 million from the FY 2003/04 year-end estimate. This is primarily attributed to the added cost to replace, maintain, and operate new vehicles added in FY 2003/04 and late FY 2002/03.

Miscellaneous Revenue from surplus property sales is budgeted at \$0.2 million for FY 2004/05, which is down a nominal \$16,518 compared to the FY 2003/04 year-end estimate.

Internal Charges
Adopted Budget to Actual/Estimate*
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$11.5	\$11.5*
2003/04	\$11.1	\$11.1*
2002/03	\$10.5	\$10.5
2001/02	\$10.9	\$10.7

Miscellaneous Revenue
Adopted Budget to Actual/Estimate*
(in millions)

Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.2	\$0.2*
2003/04	\$0.3	\$0.2*
2002/03	\$0.3	\$0.2
2001/02	\$0	\$0.5

Interest Earnings budget for FY 2004/05 totals \$0.4 million, which is a \$0.1 million increase from the FY 2003/04 year-end estimate. Interest earnings are generated on idle Fleet Management Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.3*
2002/03	\$0.3	\$0.3
2001/02	\$0.7	\$0.5

Transfers-In to the Fleet Management Fund are for new vehicle purchases budgeted in other funds and transferred into the Fleet Management fund or the actual purchase. No new vehicle transfers are included in the proposed FY 2004/05 budget.

Fleet Management Fund Expenditures By Expenditure Type

The direct operating expenditures of the Fleet Management Fund are divided into the following four major expenditure categories:

Personal Services budget of \$2.6 million represents 25.0% of the FY 2004/05 Fleet Management Fund operating budget. The proposed FY 2004/05 personal services budget increased \$0.1 million or 6.0% from the FY 2003/04 adopted budget. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, a proposed 2.5% salary market adjustment, and an additional 4.0 FTEs with staggered hire dates starting in March 2005 for maintenance support of City's municipal fire department at a cost of \$44,192.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$2.6	\$2.6*
2003/04	\$2.5	\$2.5*
2002/03	\$2.6	\$2.3
2001/02	\$2.6	\$2.4

Contractual Services budget of \$0.7 million represents 6.7% of the FY 2004/05 Fleet Management Fund operating budget. The proposed FY 2004/05 contractual services budget increased 2.0% from the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.7	\$0.7*
2003/04	\$0.7	\$0.7*
2002/03	\$0.7	\$0.7
2001/02	\$0.7	\$0.7

Commodities budget of \$3.5 million represents 33.0% of the FY 2004/05 Fleet Management Fund operating budget. The proposed FY 2004/05 commodities services budget increased \$0.3 million from the FY 2003/04 adopted budget related to increased prices for gas, as well as petroleum-based products and supplies.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.5	\$3.5*
2003/04	\$3.2	\$3.2*
2002/03	\$3.3	\$3.5
2001/02	\$3.5	\$3.0

Capital Outlay budget of \$3.6 million represents 34.6% of the FY 2004/05 Fleet Management Fund operating budget. The proposed FY 2004/05 capital outlay budget remains flat with the FY 2003/04 adopted budget.

Capital Outlay Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$3.6	\$3.6*
2003/04	\$3.5	\$3.5*
2002/03	\$5.4	\$3.9
2001/02	\$4.8	\$4.6

Fleet Management Fund Balance

The Fleet Management Fund balance varies primarily due to the vehicle replacement schedule. The portion of internal charges to programs for replacement vehicles is evenly spread over the expected life of the vehicles. This charge becomes revenue to the Fleet Management Fund and is representative of the replacement charge for many vehicles with differing useful lives. Therefore, the revenue does not vary significantly by year, but the year in which vehicles are purchased may vary significantly if, for example, several large, expensive vehicles are scheduled for replacement in a single year. The fund balance at the end of each year includes the accumulated balance to be used for future year vehicle purchases.

The ending FY 2004/05 fund balance is projected to be \$9.3 million, which remains level with the FY 2003/04 year-end estimate.

See glossary for
Expenditure Type
definitions.

Self-Insurance Fund

Fund Purpose

The Self-Insurance Fund is used to account for the City's self-insurance program. Revenue to this fund is derived from charges to user programs. This fund provides coverage of unemployment, self-insured benefits, workers' compensation, property, and liability claims.

Self-Insurance Fund Revenues and Transfers-In

Internal Charges (Property & Liability Insurance) represent approximately 22.0% of this fund's operating resources. These charges are comprised of a self-insurance charge covering general and auto liability/physical damages, workers' compensation, unemployment taxes and property charges. The FY 2004/05 budget of \$4.1 million remains flat with the FY 2003/04 year-end estimate.

Internal Charges Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.1	\$4.1*
2003/04	\$4.1	\$4.1*
2002/03	\$4.3	\$4.1
2001/02	\$4.7	\$4.7

Group Health and Dental (Employer/Employee) represent approximately 70.0 % of this fund's operating resources. These charges are comprised of employer and employee contributions toward the City being fully self-insured. The FY 2004/05 budget of \$13.2 million reflects the first year of full self-insured status by the City.

Group Health and Dental Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$13.2	\$13.2*
2003/04	-	-
2002/03	-	-
2001/02	-	-

Interest Earnings are generated on idle Self-Insurance Fund cash balance throughout the year. This revenue is a function of the relationship between the available cash balance and interest rate. The City earns interest on idle funds through various investment vehicles in accordance with Arizona Revised Statutes and City Ordinance. The City's investment policy stresses safety above yield. The FY 2004/05 budget of \$0.4 million, which now includes interest earnings pertaining to Group Healthcare, reflects a \$0.2 million increase from the FY 2003/04 year-end estimate.

Interest Earnings Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.2	\$0.2*
2002/03	\$0.3	\$0.3
2001/02	\$0.8	\$0.5

Tort Claims (Property Taxes) reimburse the City for the actual cost of liability claim judgments during the most recent calendar year, as allowed by the Arizona Attorney General. Claim judgments are paid from the Self-Insurance Fund – an Internal Service Fund – and therefore, the reimbursement becomes revenue to this fund. The FY 2004/05 budget of \$0.4 million reflects a decrease of \$0.2 million from the FY 2003/04 year-end estimate, which is attributable to fewer liability claim judgments paid by the City in the prior year.

Property Taxes Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.4	\$0.4*
2003/04	\$0.6	\$0.6*
2002/03	\$1.0	\$0.6
2001/02	\$0	\$0.6

Transfers-In total \$0.6 million from the General Fund to address anticipated rate increases and future actuarially determined funding needs.

Self-Insurance Fund Expenditures By Expenditure Type

The direct operating expenditures of the Self-Insurance Fund are divided into the following three major expenditure categories plus transfers-out:

Personal Services budget of \$0.5 million represents 9.6% of the FY 2004/05 Self-Insurance Fund budget. The proposed FY 2004/05 personal services budget increased 3.0% from the FY 2003/04 adopted budget. The budget does not include any additional positions. Major personal services cost drivers in the budget include increases in health insurance costs and retirement system costs, and a proposed 2.5% salary market adjustment.

Personal Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$0.5	\$0.5*
2003/04	\$0.5	\$0.5*
2002/03	\$0.5	\$0.5
2001/02	\$0.5	\$0.5

Contractual Services budget of \$4.7 million represents 90.4% of the FY 2004/05 Self-Insurance Fund budget. The proposed FY 2004/05 contractual services budget remains flat with the FY 2003/04 adopted budget.

Contractual Services Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$4.7	\$4.7*
2003/04	\$4.7	\$4.7*
2002/03	\$4.6	\$4.3
2001/02	\$3.9	\$5.2

Commodities budget of \$42,500 represents less than 1.0% of the FY 2004/05 Self-Insurance Fund budget. The proposed FY 2004/05 commodities budget remains consistent with the FY 2003/04 adopted budget.

Commodities Adopted Budget to Actual/Estimate* (in millions)		
Fiscal Year	Adopted Budget	Actual/Estimate*
2004/05	\$42,500	\$42,500*
2003/04	\$0.1	\$0.1*
2002/03	\$0.2	\$0.1
2001/02	\$0.1	\$0.1

Transfers-Out budget of \$11,000 will be sent to the CIP fund for replacement of technical equipment.

Self-Insurance Fund Balance

The Self-Insurance Fund balance is maintained to provide for coverage of unemployment, self-insured benefits, workers' compensation, property and liability claims. The required fund balance is actuarially determined on an annual basis.

The ending FY 2004/05 fund balance is projected to be \$20.1 million, which is an increase of \$2.1 million from the FY 2003/04 year-end estimate.

Trust Funds

Description

This fund is used to account for assets "held in trust" by the City. The City holds the funds in a trustee capacity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 34. All funds not expended in the current fiscal year are carried over to the next fiscal year to continue funding the intended purpose. The City maintains the following three Trust Funds.

Streetlight Districts & Downtown Enhanced Service District

Fund Purpose

Used to account for proceeds received by property owners in return for the City providing agreed-upon increased levels of municipal services beyond the standard level of core City service. The FY 2004/05 proposed budget is \$1,055,300 and will be used to pay for contractual services.

Mayor's Committee for Employment of the Handicapped

Fund Purpose

Used to account for proceeds for programs and activities to promote employment of handicapped individuals. The FY 2004/05 proposed budget is \$10,000 and will be used to pay for contractual services.

Scottsdale Memorial Hospital Redevelopment

Fund Purpose

Used to account for expenditures related to the development of the Scottsdale Memorial Hospital area. The FY 2004/05 proposed budget is \$435,400 and will be used to pay for capital outlay.

